

Introduction

This research alert summarises the key vacancy rate and net absorption trends from Darroch Research’s March 2009 Auckland City Fringe and Suburban Office Vacancy Survey. The vacancy survey is carried out twice a year in March and September and includes all buildings with 500 square metres or more of office space.

The City Fringe has over 520,000 square metres of office space in the office precincts of Grafton, Newton, College Hill, Parnell and Newmarket. The Southern Corridor has almost 200,000 square metres of office space in the suburbs of Greenlane, Ellerslie and Penrose. The North Shore has over 300,000 square metres of office space in two key office precincts; Takapuna and Albany.

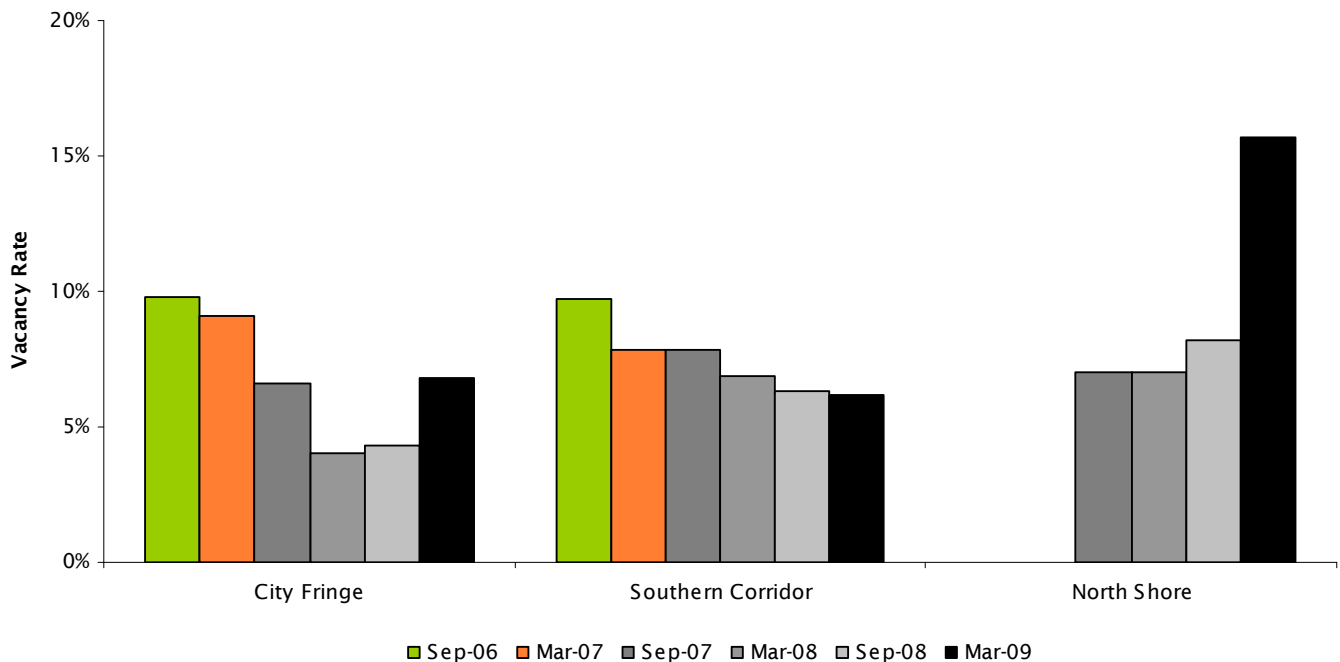
Key Results

The overall vacancy rate results, as at March 2009, for each of the office markets surveyed were as follows:

- City Fringe 6.8%;
- Southern Corridor 6.2%; and
- North Shore 15.7%.

Figure 1 presents the results of the vacancy surveys undertaken by Darroch Research since September 2006. Note that September 2007 was the inaugural North Shore vacancy survey.

Figure 1: Auckland City Fringe and Suburban Office Vacancy Rates – September 2006 to March 2009



Source: Darroch Research

Key Trends

- The City Fringe vacancy rate increased to 6.8% as at March 2009, up from 4.6% in September 2008. Over the six months to March 2009, the overall A grade vacancy rate increased to 4.4% from 2.1%, whilst the secondary grade vacancy rate also increased, from 4.6% to 7.2%;
- With the exception of College Hill, all City Fringe precincts experienced an increase in vacancy over the six months to March 2009, ranging from 0.5 to 3.5 percentage points;
- The most significant increase in vacancy rates were experienced in the Newmarket and Grafton precincts. Newmarket had an increase in vacancy from 3.8% to 7.7%. This increase was largely attributed to a number of tenants vacating space between 400 and 750 square metres. Grafton had an increase in vacancy from 5.7% to 8.8%. This was predominantly due to Connect moving out of their location at 97 Grafton Road leaving 1,577 square metres vacant;
- In College Hill the vacancy rate decreased slightly between September 2008 and March 2009, falling 0.6 percentage points from 3.4% to 2.8%, this was largely brought about by the uptake of approximately 640 square metres by Automation Association at 7 College Hill Road;
- The Southern Corridor vacancy rate remained relatively stable at 6.2% as at March 2009, down slightly from 6.3% in September 2008 and 6.9% in March 2008. This decrease in percentage was primarily due to the addition of Millenium Three at 604 Great South Road which is 8,213 square metres, all of which is occupied, however, the amount of vacant space in the Southern Corridor actually increased over the six month to March 2009, up 330 square metres to 12,200 square metres; and
- The North Shore vacancy rate as at March 2009 more than doubled to 15.7%, up 8 percentage points from the 7.7% vacancy rate recorded in September 2008, and 7.0% in March 2008. A grade space increased from 7.0% to 15.8% and the vacancy rate for secondary grade office space increased from 8.5% to 15.6%. The vast majority of change between the September 2008 and March 2009 survey was experienced in the Albany precinct, where the vacancy rate increased from 11.0% to 26.1%. This was brought about through the addition of 33,000 square metres of new A and B grade office space across eight new buildings located in the Albany precinct. The vast majority of space in these new office buildings is fully vacant. The new buildings include three on Rosedale Road, 72 Apollo Drive, E2 The Gateway on Oteha Valley Road, Triton Plaza, the final stage of the Apollo Technical Park and Candida Office Park.

Auckland City Fringe & Suburban Office Vacancy Survey Results

Table 1: Auckland City Fringe Office Vacancy Survey Results by Grade

Survey	Total			A Grade			Secondary		
	Stock (m ²)	Vacant (m ²)	Vacancy Rate	Stock (m ²)	Vacant (m ²)	Vacancy Rate	Stock (m ²)	Vacant (m ²)	Vacancy Rate
Sept 2006	430,665	42,211	9.8%	43,982	593	1.3%	386,683	41,618	10.8%
Mar 2007	514,086	46,643	9.1%	66,644	4,154	6.2%	447,442	42,489	9.5%
Sept 2007	542,838	35,906	6.6%	68,515	3,103	4.5%	474,324	32,803	6.9%
Mar 2008	543,845	21,643	4.0%	68,515	1,374	2.0%	475,330	20,269	4.3%
Sept 2008	521,055	22,373	4.3%	68,515	1,473	2.1%	452,540	20,900	4.6%
Mar 2009	524,711	35,419	6.8%	80,843	3,529	4.4%	443,868	31,890	7.2%

Source: Darroch Research

Table 2: Auckland City Fringe Office Vacancy Survey Results by Precinct

Survey	Grafton			Newton			College Hill			Parnell			Newmarket		
	Stock (m ²)	Vacant (m ²)	Vacancy Rate	Stock (m ²)	Vacant (m ²)	Vacancy Rate	Stock (m ²)	Vacant (m ²)	Vacancy Rate	Stock (m ²)	Vacant (m ²)	Vacancy Rate	Stock (m ²)	Vacant (m ²)	Vacancy Rate
Sept 2006	108,755	68,457	9.0%	54,267	12,695	9.7%	54,863	8,390	9.6%	68,401	21,860	13.8%	144,376	5,376	13.7%
Mar 2007	133,588	59,113	7.9%	75,553	10,357	8.5%	60,441	4,304	4.8%	88,467	23,207	14.6%	156,038	5,792	14.8%
Sept 2007	133,152	40,269	5.4%	85,047	13,263	10.0%	63,705	2,563	3.0%	101,795	17,471	11.6%	159,140	4,979	12.7%
Mar 2008	134,615	39,474	5.2%	80,613	4,262	3.3%	64,334	1,344	1.5%	102,882	13,943	9.3%	161,401	2,445	6.2%
Sept 2008	132,224	50,216	6.8%	78,771	4,276	3.4%	63,168	2,685	3.1%	91,179	16,816	11.3%	155,714	3,314	8.5%
Mar 2009	118,017	65,450	8.7%	78,771	6,820	5.3%	63,168	4,486	5.0%	102,429	18,630	12.5%	162,327	5,640	14.4%

Source: Darroch Research

Table 3: Southern Corridor Office Vacancy Survey Results

Survey	Total			A Grade			Secondary		
	Stock (m ²)	Vacant (m ²)	Vacancy Rate	Stock (m ²)	Vacant (m ²)	Vacancy Rate	Stock (m ²)	Vacant (m ²)	Vacancy Rate
Sept 2006	177,002	17,173	9.7%	76,860	8,128	10.6%	100,142	9,045	9.0%
Mar 2007	165,690	12,996	7.8%	81,278	5,780	7.1%	84,412	7,216	8.5%
Sept 2007	176,286	13,824	7.8%	91,265	10,592	11.6%	85,022	3,233	3.8%
Mar 2008	185,443	12,875	6.9%	92,246	7,879	8.5%	93,197	4,996	5.4%
Sept 2008	189,679	11,873	6.3%	96,133	7,385	7.7%	93,547	4,487	4.8%
Mar 2009	197,892	12,202	6.2%	104,346	6,931	6.6%	93,547	5,271	5.6%

Source: Darroch Research

Table 4: North Shore Office Vacancy Survey Results by Grade

Survey	Total			A Grade			Secondary		
	Stock (m ²)	Vacant (m ²)	Vacancy Rate	Stock (m ²)	Vacant (m ²)	Vacancy Rate	Stock (m ²)	Vacant (m ²)	Vacancy Rate
Sept 2007	244,054	17,062	7.0%	40,963	690	1.7%	203,091	16,372	8.1%
Mar 2008	257,164	17,896	7.0%	55,463	1,910	3.4%	201,701	15,986	7.9%
Sept 2008	265,909	21,688	8.2%	64,208	4,480	7.0%	201,701	17,208	8.5%
Mar 2009	302,994	47,510	15.7%	72,005	11,362	15.8%	230,989	36,148	15.6%

Source: Darroch Research

Table 5: North Shore Office Vacancy Survey Results by Precinct

Survey	Albany			Takapuna		
	Stock (m ²)	Vacant (m ²)	Vacancy Rate	Stock (m ²)	Vacant (m ²)	Vacancy Rate
Sept 2007	83,875	6,245	7.4%	160,179	10,817	6.8%
Mar 2008	83,875	5,797	6.9%	173,289	12,099	7.0%
Sept 2008	89,356	9,791	11.0%	176,553	11,897	6.7%
Mar 2009	122,291	31,978	26.1%	180,703	15,532	8.6%

Source: Darroch Research

Development Activity

Table 6: Auckland City Fringe and Suburban Office Developments – Under Construction

Property	Developer	Office Floor Area (sqm)	Expected Rent (\$psm)	Expected Completion	Tenants
<i>Building D Highbrook Office Park</i> – Highbrook Drive, East Tamaki	Goodman Group	3,905	\$220 - \$260	Mar-09	Ford Motor Company
<i>Ironbank</i> – 154 Karangahape Road, Newton	Samson Corp	3,855	Confidential	May-09	
<i>Interplex Business Park</i> – 94 Apollo Drive, Albany	Northbridge	3,500	Unknown	Jun-09	3M
<i>8 On Nugent</i> – 8 Nugent Street, Grafton	The Neil Group	11,820	Unknown	Jul-09	
<i>The Slider Building</i> – 8 Stanley Street, Parnell	McDougall Reidy	6,700	Unknown	Apr-10	National Library
<i>Soho</i> – 4 Williamson Avenue, Ponsonby	Marlin Group	24,000	\$340	Unknown	

Source: Darroch Research

Table 7: Auckland City Fringe and Suburban Office Developments – Proposed

Property	Developer	Office Floor Area (sqm)	Expected Completion
Proposed			
1 William Laurie Place, Albany	Platypus Group	3,198	2010-2011
<i>E1 – The Gateway</i> – Oteha Valley Road, Albany	Albany City Holdings Ltd	7,000	2010
<i>E3 – The Gateway</i> – Oteha Valley Road, Albany	Albany City Holdings Ltd	2,700	2011
<i>Ascot Parade</i> – Ascot Avenue, Ellerslie	McConnell Property Ltd	18,000	Building 1 – 2010 Building 2 & 3 – 2011 Building 4 – 2012
<i>Merge</i> – Cnr Auburn & Northcroft Streets, Takapuna	Location Group	10,500	2012
<i>Interplex Business Park</i> – 96 Apollo Drive, Albany	Northbridge Properties	2,058	Unknown
<i>Highbrook Office Park</i> – Highbrook Drive, East Tamaki	Goodman Group	23,731	Unknown
<i>LA Central</i> – 63-89 Lunn Avenue	Greenstone Group	50,000	Unknown (site for sale)
<i>B28-30</i> – 28 – 30 Balfour Road, Parnell	NZ Strong & Balfour Projects	4,569	Unknown (site for sale)
<i>Sylvia Park – Buildings A and B</i> – Mt Wellington Highway	Kiwi Income Property Trust	Bldg A – 11,362 Bldg B – 7,900	Unknown (on hold)
<i>A1 Central Park</i> – 666 Great South Road	Goodman Group	8,700	Unknown (on hold)
<i>A2 & A3 – Central Park</i> – 666 Great South Road	Goodman Group	11,998	Unknown (on hold)
<i>Napier Plaza</i> – 27 Napier Street, College Hill	Latitude Group	8,720	Unknown (on hold)
<i>Eden 6 – Eden Business Park</i> – Normanby Road, Mt Eden	Orchard Funds Management	7,325	Unknown (on hold)

<i>Eden 7 - Eden Business Park - Normanby Road, Mt Eden</i>	Orchard Funds Management	8,035	Unknown (on hold)
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Source: Darroch Research

Table 8: Auckland City Fringe and Suburban Office Developments – Mooted

Property	Developer	Office Floor Area (sqm)	Expected Completion
Mooted			
<i>Lion Brewery Site – Khyber Pass Road, Newmarket</i>	AMP Capital Investors	Unknown	Unknown
<i>Building C – Smales Farm – Taharoto Road, Takapuna</i>	The Smale Family	11,500	Unknown
<i>Albany City - Don McKinnon Drive, Albany</i>	Symphony Group / ACPIIL	20,000 - 40,000	Unknown
<i>Carter Holt Harvey Site – 640 Great South Road</i>	Unknown	Up to 30,000	Unknown

Source: Darroch Research

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